Japanese Carbon and Alloy Flat Product Exclusion Request

Product Category: Plate (#2)

(a)	Product Designation/HTS	**Certain High-Alloy Plate** 7225.40.30.50, 7208.51.0000, 7225.40.0000
(b)	Product Description	High tensile alloy with tensile strength of 90ksi or greater.
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutible Products	See Attachment C

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Certain high-alloy plate products are either not made in the United States or are not produced in sufficient quantities. Some grades of this high-alloy plate, such as high tensile non-quenched alloy plate, are not produced at all in the United States. Other grades that are domestically produced are not produced in sufficient quantities. Finally, there are stark differences between the inferior quality of the domestic plate and the Japanese plate.

[ ] buys high tensile alloy steel plate for use in boom cranes, shipbuilding, oil patch work, and for other equipment in the construction industry. It is used in situations where strength and reliability are important.[1] [ ] product is an "as rolled" product, meaning that plates are rolled one at a time through a thermomechanically controlled process to yield a strong product that is high load bearing. The markets that [ ] serve demand this extraordinary strength. Boom cranes, for instance, are subject to demanding conditions, which depend on strong materials to perform optimally. [ ] explained that the high tensile non-quenched alloy steel plate is not manufactured in the United States, so it must be imported.[2]

Moreover, U.S. purchasers explained that alloy plate is not produced in sufficient quantities in the United States to meet domestic demand. Rodger Parr of Seaport Steel Company buys high-alloy plate from [ ] of Japan, which produces plate using a quench-and-temper process. "Quenching" is a process by which the plate is strengthened by quickly cooling it with water before tempering. Mr. Parr explained the reasons for this short supply:

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1 *See* Affidavit of [ ] (**Attachment D)**.

2 *Id*.

> Oregon Steel, the only producer of these products in the Western U.S., has had wide variance in the availability and lead-time to obtain steel. These variances result from the fact that Oregon Steel is also a producer of large-diameter pipe for pipeline projects. When Oregon Steel obtains a pipe order it takes precedence in their production schedules, as it is their most profitable product. The resulting extension in lead-time for high-alloy plate causes disruption in our supply chain.[3]

West coast companies like Seaport Steel are unable to buy plate from East coast manufacturers due to the high costs of transportation, and so West coast companies are at the mercy of Oregon Steel. Several purchasers confirmed Mr. Parr's statement that there is not enough domestically produced plate to meet U.S. demand.

U.S. purchasers also indicated that Japanese plate is superior in quality and consistency to the domestic plate. To qualify, the alloy plate must meet the ASME code requirements, both longitudinal and transverse charpy impacts. One customer explained that if the steel fails they will heat treat it and test it again. If the steel continues to fail, as the domestic steel frequently does, they must scrap the material because it is useless for their purposes. Max Helser of Helser Industries also buys the Japanese high-alloy plate because of its superior smoothness and flat surface. "I have tried to obtain similar steel plate produced by U.S. producers, but their plate, unfortunately, did not meet our requisite standard."[4]

Finally, imported high-alloy plate is typically more expensive than U.S. plate. As shown in **Attachment B,** the unit price for certain high-alloy plate from Japan ranged from [ ] during the period of investigation. Compare these prices to the pricing data collected by the Commission for the selected pricing products, which are intended to be representative of U.S. prices of plate products in general.[5] This attachment demonstrates the significant overselling of these specialty products imported from Japan. Mr. Helser willingly pays these higher prices for the Japanese plate. "The price of the plate we purchase is not an issue . . . we have paid and are willing to pay higher prices to purchase the Japanese product."[6] Imports of high-priced specialized products have no detrimental effect on the domestic industry and warrant exclusion from any 201 remedy.

The U.S. steel industry has been unable to meet domestic demand with respect to both the quality and quantity that is required for high-alloy plate. Placing high duties or low quotas will not help the domestic industry, but will only serve to cripple the U.S. manufacturers who use this specialized product.

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[3] *See* Affidavit of Rodger Parr, Sales Manager of Seaport Steel Company (**Attachment D**).

[4] *See* Affidavit of Max Helser, Vice President of Helser Industries (**Attachment D**).

[5] *See* ITC's Staff Report at Table FLAT-67 (public version).

[6] *See* Affidavit of Max Helser, Vice President of Helser Industries (**Attachment D**).

PLATE

High-Alloy Plate

Quantity						**January - June**		**Projections**				
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**
[	0	0	0	0	1,782	0	0	2600	2600	2600	2600	2600
	0	0	0	0	0	1,180	0	0	0	0	0	0
	0	0	0	0	5,672	4,600	0	6,020	5,672	5,672	6,020	5,672
	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	1,930	7,455	5,780	1,720	8,620	8,272	8,272	8,620	8,272]

Value *						**January - June**		**Projections**				
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**
[	0	0	0	271,258	829,156	193,404	459,389	1,506,388	1,506,388	1,506,388	1,420,377	1,420,377
	0	0	0	190,425	1,637,400	1,543,910	0	0	0	0	0	0
	0	0	296,902	539,831	3,390,563	2,279,879	447,451	3,196,972	3,196,972	3,390,563	3,196,972	3,196,972
	534,143	665,317	291,058	347,575	320,891	0	190,938	165,231	351,554	351,554	351,554	372,843
	0	0	0	0	0	0	0	0	258,918	258,918	258,918	244,135
Total	534,143	665,317	587,960	1,349,090	6,178,010	4,017,193	1,097,777	165,231	610,473	610,473	610,473	616,978]
[Unit Price	0	0	0	0	0	0	0]					
U.S. Production	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Imports from Other Countries	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Total U.S. Consumption	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown

Attachment A

Foreign Producers

(1) NKK Corporation

- Address: 1-1-2, Marunouchi Chiyoda-ku, Tokyo 100, Japan
- Phone: 011-81-3-3217-2444
- Fax: 011-81-3-3214-8417

(2) Kawasaki Steel Corporation

- Address: Hibiya Kokusai Bldg., 2-3, Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan
- Phone: 011-81-3-3597-4019
- Fax: 011-81-3-3597-3749

(3) Sumitomo Metal Industries, Ltd.

- Address: Triton Square Office Tower Y, 8-11, Harumi 1-chome, Chuo-ku, Tokyo 104-61111, Japan
- Phone: 011-81-3-4416-6148
- Fax: 011-81-3-4416-6788

(4) Nippon Steel Corporation

- Address: 6-3, Otemachi 2 chome, Chiyoda-ku, Tokyo 100-71, Japan
- Phone: 011-81-3-3275-5181
- Fax: 011-81-3-3275-5984

Domestic Producers

(1) Oregon Steel Mills Inc., Portland, OR

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None

Attachment D

PUBLIC VERSION

AFFIDAVIT OF MAX HELSER

Vice President, Helser Industries, Inc. -- Tualatin, Oregon

I, Max Helser, declare and state to the best of my knowledge, information, and belief, that:

1. I am the Vice President of Helser Industries, Inc. in Tualatin, Oregon. I have been in the business of purchasing high-alloy plate for over 20 years. We purchase [ ] high-alloy plate to manufacture metal forms to be used by our customers.

2. Our customers are mostly concrete contractors who build concrete structures for residential buildings or architectural structures, and so, are very selective. That is understandable because the metal forms we produce for our customers determine the quality of their finished concrete products. Because of our customers' requirements we only use high quality high-alloy plate in the manufacturing of our metal molds and forms.

3. I can only find the high quality alloy plate that meets our requirement in Japan. I have tried to obtain similar steel plate produced by US domestic producers, but their plate, unfortunately, did not meet our requisite standard. The biggest difference is that the Japanese products have a very smooth, flat surface unlike their domestic counterparts. Again, the smoothness of the surface is a key to our business because the surface determines the quality of the metal molds that we sell to our customers. When the surface is not clean enough, our customers will reject the product, which would significantly undermine our relationship with the customers. Hearing complaints from our customers would be the last thing we would want to deal with because almost all our customers maintain a long business relationship with us.

4. The price of the plate we purchase is not an issue. It is the quality of the steel product that matters. That is why we have paid and are willing to pay higher prices to purchase the Japanese product. This high quality Japanese plate has been a key element of our success in competing with our competitors.

5. Thus, if the Japanese high-alloy plate is prohibited from being imported or subject to high duties, that would be very harmful to our business. Imposing duties will significantly increase the price of the product. This will certainly hurt our company because we will have to buy them regardless of the price. The domestically produced plate does not meet our customers' needs, and so we must import it from Japan. It is our customers who would suffer ultimately, who have relied on high-alloy plates from Japan for such a long time.

Mr. Max Helser
Vice President of Helser Industries Inc.
Tualatin, Oregon
Dated: 11-9-01

Subscribed and sworn to before me this 9th day of November, 2001

Ted E Hudson SR

Notary Public

My commission expires: 4-9-04

OFFICIAL SEAL
TED E HUDSON SR
NOTARY PUBLIC-OREGON
COMMISSION NO. 332479
MY COMMISSION EXPIRES APRIL 9, 2004

PUBLIC VERSION

PUBLIC VERSION

AFFIDAVIT OF [ ]
[ ]

I, [ ], declare and state to the best of my knowledge, information, and belief, that:

1. [ ]. We buy both abrasion-resistant plate and high tensile alloy steel plate for our products. We have tried to buy it domestically, some of our customers even requested us to, however, there is no domestically produced product that meets our specifications. In fact, high tensile non-quenched alloy plate is not even produced in the United States.

2. High tensile non-quenched alloy plate is used in shipbuilding, production of trailers, and oil patch work, and is high load bearing. Its tensile strength is 90ksi and over, and includes [ ] grades. This product is not sold in the United States, and is only available in Japan. This product is "as rolled" and rolled one at time and is put through a thermomechanically controlled process to yield a strong product that is high load bearing.

3. Abrasion-resistant steel is used in the production of truck bodies, trailers, construction cranes, and has a wear-resistant hardness. The Brinell hardness is 360 and over. The product available domestically is of a lesser quality than the Japanese product. The quality that we require for over half of our production is only available in Japan. For this production, we require a surface quality that is half of the A6 ASTM standard tolerance, so that there are less rejects due to pits, roller marks, and other surface defects. For our purposes, we use the Japanese product because of the higher quality it provides.

4. Again, we prefer to buy our raw materials from the United States if at all possible. However, neither high tensile non-quenched alloy plate nor the high quality abrasion-resistant plate is available domestically, and so, these should be excluded from the 201 case. Putting quotas or high duties on these products would not benefit anyone in the domestic industry and would only serve to force U.S. purchasers, like [ ], to pay a higher price, or prevent us from buying the necessary quantities to meet our customers' needs.

[ ]

PUBLIC VERSION

SEAPORT STEEL
ISSC
ISSC, INC.

PUBLIC VERSION

AFFIDAVIT OF RODGER PARR

Sales Manager of Seaport Steel Company

I, Rodger Parr, declare and stat to the best of my knowledge, information, and belief, that;

1. I am Rodger Parr, Sales Manager of Seaport Steel Company in Seattle, Washington. I have been working in this industry for 27 years. Our company purchases high-alloy plate from Japanese mills, including[ ]to supply manufacturers of heavy construction equipment.

2. We have been purchasing Japanese high-alloy plate products to supplement our domestic sources for three reasons. First, the Japanese products are slightly less expensive, though not enough cheaper to be the sole factor. Second, the quality, primarily in terms of flatness, is consistent and generally superior to the material supplied by Oregon Steel. Third, Oregon Steel, the only producer of these products in the Western U.S., has had wide variance in the availability and lead-time to obtain steel. These variances result from the fact that Oregon Steel is also a producer of large-diameter pipe for pipeline projects. When Oregon Steel obtains a pipe order it takes precedence in their production schedules, as it is their most profitable product. The resulting extension in lead-time for high-alloy plate causes disruption in our supply chain.

3. These three factors taken together have resulted in our decision to purchase a portion of our high-alloy plate requirements in Japan.

Rodger Parr

Mr. Rodger Parr
Sales Manager of Seaport Steel Company
Seattle, Washington
Dated: 11/9/2001

Subscribed and sworn to before me this 9 day of November, 2001.

Notary Public
My commission expires: Sept. 24, 2005

PUBLIC VERSION

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